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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

In re: ACACIA MEDIA TECHNOLOGIES CORPORATION	Case No. C 05-01114 MDL No. 1665 **RESPONSE TO SATELLITE STATEMENT IN JOINT CASE MANAGEMENT STATEMENT** Hearing Date: March 7, 2008 Hearing Time: 10:00 a.m. Courtroom: Hon. James Ware

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I. Introduction

Certain of the Cable Defendants and Internet Defendants[1] (hereinafter, "the Cable and Internet Defendants") submit this brief in response to the positions taken by the Satellite Defendants[2] in the Joint Case Management Statement ("JCMS," D.I. 267) filed on February 29, 2008. All parties are in agreement, except for the Satellite Defendants, that the next phase of the case should solely address § 112 issues. This is consistent with what was understood to be the Court's suggestion. The Satellite Defendants' portion of the JCMS effectively constitutes a brief on its belief as to why non-infringement (and commensurate discovery) should also be addressed, in part, in the next phase. The Cable and Internet Defendants seek to avoid engaging in potentially costly and time consuming discovery associated with non-infringement. As the positions and arguments set forth by the Satellite Defendants' are erroneous, a response is provided.[3]

A. Background

The Court has engaged in several rounds of extensive claim construction regarding the Yurt patents. On this record, all parties agree: that the Court's claim construction duties are complete (D.I. 267 at 2:12-17 and 6:3); that motions for summary judgment based upon 35 U.S.C. § 112, ¶ 1 (written description/enablement) or 35 U.S.C. § 112, ¶ 2 (indefiniteness) should now be considered (*Id.* at 2:12-17 and 6:4-5); and, on a briefing schedule. (*Id.* at 2:18-3:17 and 8:7-18.)

These § 112 motions will likely affect *all* asserted claims of all of the asserted Yurt patents thereby obviating the need for discovery and briefing associated with issues such as non-infringement. The Satellite Defendants contend that the '720 patent, which is only asserted against them, is different than the rest of the asserted Yurt patents and is not amenable to disposal on § 112 invalidity grounds. (D.I. 267 at 6:16-20.) As a result, the Satellite Defendants argue that in the next phase, they should be permitted to address certain positions on non-infringement. (D.I. 267 at 6:3-15.) Given the problems with the Yurt patents, many of which have been identified by the Court in its claim construction orders, and the likely disposal of claims on § 112 grounds, Acacia as well as all of the Cable Defendants and Internet Defendants have indicated that the Court should limit the next phase of the case to motions for summary judgment on the basis of § 112. (D.I. 267 at 1:16-2:2.)

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[1] The Cable Defendants and Internet Defendants who sign on to this brief are identified on the signature pages hereto.

[2] The Satellite Defendants are: The DIRECTV Group, Inc.; EchoStar Satellite LLC; and EchoStar Technologies Corp.

[3] This response is submitted for the reasons identified in the JCMS. (D.I. 267 at 5:14-21.)

II. Non-infringement Motions Are Premature and Should Not Be Considered in the Next Phase

The Court should limit the next phase of the case for at least two reasons. First, the Court has followed a stepped approach that has led to the efficient and logical management of this complex MDL proceeding. This case involves five patents having a total of 137 claims. Through the stepped approach, the number of asserted claims has been gradually winnowed down. All of the parties recognize there are many issues under § 112 conducive to disposal on summary judgment. Throughout the claim construction process the Court has identified a number of § 112 issues with the asserted claims that affect the vast majority of the remaining claims. For example, the Court has held both “identification encoder” and “sequence encoder” to be indefinite. (D.I. 119 at 6-18.) Collectively, these two terms, as well as the other problems the Court has noted with the patent, affect nearly all of the asserted claims of the Yurt patents, including those of the ‘720 patent. Furthermore, the Cable and Internet Defendants contemplate § 112 motions that will affect *all* asserted claims. As a result, it is unsurprising that the Court has previously suggested that it would want to address § 112 issues next. Following this lead and in an effort to continue the stepped approach that has resulted in an efficient management of this MDL, the parties have come to a significant consensus on how to proceed with the § 112 issues, thereby promoting judicial economy. (D.I. 267 at 2:12-17.) During this entire process, discovery has been substantially stayed and it would not be prudent to impose the expense and burden of addressing fact discovery associated with non-infringement motions at this juncture, especially where it will likely prove unnecessary. The Satellite Defendants offer no valid reason or explanation as to why the Court should deviate from continuing its stepped approach.

Second, given the number of asserted claims, the number of defendants and the variety of accused systems / products, discovery related to even the simplest of non-infringement motions will vastly exceed that related to the anticipated § 112 motions. The parties have already agreed that discovery in connection with the § 112 motions will be limited to expert declarants and, possibly, inventor testimony (on which there is a disagreement between Acacia and the defendants).[4] (D.I. 267 at 3:28-4:2 and 9:13-14.) The considerations involving the § 112 motions will also substantially overlap with what has already been accounted for in the claim construction context, including the review of the intrinsic record, *i.e.*, the language of the asserted claims, the written specification of the asserted patents and the prosecution histories of the asserted patents.

An infringement analysis, on the other hand, looks to the operation of each of the accused products and services. In the present action, Acacia has accused three different groups of defendants of infringement – internet, cable and satellite – with each having different video transmission systems. Additionally, within each group, Acacia has asserted infringement against a number of different types of products and services. Taking the Cable Defendants for example, Acacia has accused multiple systems, including analog cable, digital cable, digital cable with digital video recorders, and digital advertisement insertion, of infringement. These systems may vary from one cable provider to another and may involve equipment provided by various third-party vendors. It seems self-evident that now is not the time to undertake the time and expense of such an inquiry, especially when the plaintiff and the great majority of the defendants agree that the case will be substantially narrowed, if not completely disposed of, through the submission of § 112 motions and where Acacia has not agreed to limit the fact discovery associated with non-infringement issues.[5]

For these reasons, the Court should postpone review of non-infringement issues when such review will at least be substantially circumscribed, if not completely unnecessary.

[4] This evidence will be limited and will be of the type that the Court has already considered in the claim construction process.

[5] While the Satellite Defendants agreed to limit infringement based discovery only to those parties bringing non-infringement motions (D.I. 267 at 9:8-12), this proposal is not acceptable to the Cable and Internet Defendants. (*Id.* at 5-6, n. 5.) If the Court provides for non-infringement summary judgment motions now, some or all of the Cable and Internet Defendants will in effect be forced to make such motions and provide Acacia with the necessary discovery even though this exercise will be pointless if all of the claims are invalidated.

III. The Satellite Defendants' Arguments Are Flawed

The Satellite Defendants propound three flawed arguments in support of the desire to bring limited non-infringement motions.

First, the Satellite Defendants disingenuously state, without support, that "[l]imiting the parties to motions based only on 35 U.S.C. § 112, by contrast, would not fully dispose of this case at this stage of proceedings." (D.I. 267 at 6:16-17.) The '720 patent is not an island unto itself – it shares the same written specification and numerous claim terms and phrases in common with the other asserted Yurt patents.[6] Since like terms have been construed identically and the terminology used in the '720 patent overlaps with that of the other Yurt patents, the § 112 motions contemplated by the Cable and Internet Defendants will reach each and every claim of every asserted patent, including the '720 patent.

Second, the Satellite Defendants are simply wrong as a matter of law when they state that "[a]n appeal based solely on motions under 35 U.S.C. § 112 would also contravene the Federal Circuit's direction that it be provided a complete record with full context about the accused devices." (D.I. 267 at 7:10-11.) A district court does ***not*** have to consider determinations related to infringement to satisfy jurisdiction for appeal to the Federal Circuit.

It is axiomatic that a claim that has been found (or held to be) invalid can not be infringed. *Richdel, Inc., v. Sunspool Corp.*, 714 F.2d 1573, 1580 (Fed. Cir. 1983) ("The claim being invalid, there is nothing to be infringed.") Consequently, any determination that a claim is invalid precludes a finding of infringement, thereby *rendering moot any issues of infringement*. *See, e.g., Princeton Biochems., Inc. v. Beckman Coulter, Inc.*, 411 F.3d 1332, 1339-40 (Fed. Cir. 2005) ("Because [the asserted] claim [] is invalid for obviousness, this court need not reach the issues of prior invention and infringement."); *Medrad, Inc. v. MRI Devices Corp.*, 401 F.3d 1313, 1322 (Fed. Cir. 2005) ("Because we have sustained the judgment that [the] asserted claims are invalid, th[e] [infringement] issue is moot."); *Lough v. Brunswick Corp.*, 86 F.3d 1113, 1123 (Fed. Cir.

[6] These terms and phrases include the following: "central processing location," "local distribution system," "reception system," "responsive to," "in response to" and "formatting items … of information."

1996) ("No further public interest is served by our resolving an infringement question after a determination that the patent is invalid."). This fundamental Federal Circuit jurisprudence applies to appeals of invalidity based on § 112 grounds. *See, e.g., Halliburton Energy Serv., Inc. v. M-I LLC*, --- F.3d ----, 85 U.S.P.Q.2d 1654 (Fed. Cir. 2007); *Datamize, LLC v. Plumtree Software, Inc.*, 417 F.3d 1342 (Fed. Cir. 2005); *University of Rochester v. G.D. Searle & Co.*, 359 F.3d 916 (Fed. Cir. 2004).

The cases cited by the Satellite Defendants do not contradict this basic premise and do not support the Satellite Defendants' overarching premise. Rather, each of the cited cases concerns appellate review of the ruling below ***on infringement*** where the Federal Circuit took issue with the sufficiency of the record on infringement.

In *Bayer,* the problem identified by the Federal Circuit is that the key limitation had not yet been construed by the district court, affording the Federal Circuit no claim construction record from which to work and evaluate the finding on summary judgment of ***non-infringement***. *Bayer AG. v. Biovail Corp.*, 279 F.3d 1340, 1349 (Fed. Cir. 2002). In *E-Pass,* the Federal Circuit was confronted with summary judgment of ***non-infringement*** and noted that when the case came up previously on summary judgment of non-infringement it did not have a sufficient record to understand when it changed a claim construction whether there was still no infringement. *E-Pass Techs., Inc. v. 3Com Corp.,* 473 F.3d 1213, 1219 (Fed. Cir. 2007).

The *Lava Trading* case involved a ***stipulation of non-infringement*** and in that context the Federal Circuit stated that because of the stipulation there was not "any meaningful comparison of the accused products to the asserted claims." *Lava Trading, Inc. v. Sonic Trading Mgmt., LLC,* 445 F.3d 1348, 1350 (Fed. Cir. 2006). Similarly, in *Wilson*, the parties ***stipulated to non-infringement*** and the district court dismissed defendant's declaratory judgment claim of invalidity. *Wilson Sporting Goods Co. v. Hillerich & Bradsby Co.*, 442 F.3d 1322, 1324, 1327 (Fed. Cir. 2006). As a result of the lack of information about the accused products, the Federal Circuit could not assess infringement and in view of the parties not appealing the dismissal of the invalidity counterclaim, the court could not assess that determination either. *Id.* at 1327. The Federal Circuit in both the *Pall* and *Scripps* cases was also confronted with reviewing summary judgment rulings of ***non-infringement***, and, in both cases, commented on the convenience and efficiency of focusing on those limitations in dispute in the infringement context. *Pall Corp. v. Hemasure, Inc.*, 181 F.3d 1305, 1308 (Fed. Cir. 1999); *Scripps Clinic & Research Found. v. Genentech, Inc.*, 927 F.2d 1565, 1580 (Fed. Cir. 1991).

Third, the Satellite Defendants argue that the Federal Circuit does not want to receive appeals piecemeal. (D.I. 267 at 7:1-7). There will not be a piecemeal appeal because the parties agreed to meet and confer after adjudication of the § 112 motions and "provide the Court with a proposed order" which, depending on the outcome of the motions, could include entry of final judgment of invalidity for all of the patents asserted against the Cable Defendants and the Internet Defendants. (D.I. 267 at 1:6-8)[7] As noted previously, it is a realistic belief that the § 112 motions will dispose of all asserted claims of the Yurt patents.

It is the Satellite Defendants' proposal that will result in a piecemeal approach, because while invalidity moots infringement issues (*see, supra*, 4:17-5:6), the United States Supreme Court has held that non-infringement does not moot invalidity issues. *See Cardinal Chemical Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 99-100, 113 S.Ct. 1967, 1976-77 (1993); *see also Lough*, 86 F.3d at 1123. If, as suggested by the Satellite Defendants, not all of the claims of the '720 patent will be covered by § 112 motions, addressing infringement at this time will not dispose of the '720 patent completely and, without more, that patent could not go up on appeal. Alternatively, if the Cable and Internet Defendants are correct, the § 112 motions will cover the '720 patent too, making it unnecessary to address non-infringement at this time (and perhaps at all), much less in the piecemeal fashion advocated by the Satellite Defendants.[8]

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[7] The Federal Circuit has recognized four ways in which finality can be reached. *See, e.g., Nystrom v. TREX Co.*, 339 F.3d 1347, 1350-51 (Fed. Cir. 2003). This is expressly recognized by Acacia, the Cable Defendants and the Internet Defendants. (D.I. 267 at 3:20-26).

[8] Even assuming, *agurendo*, that the motions under § 112 covered all claims asserted against the Cable Defendants and the Internet Defendants but did not cover the claims of the '720 patent asserted against the Satellite Defendants, the individual cases against all but the two Satellite Defendants would be complete. Since this is a multi-district litigation, there would be finality for those underlying cases.

IV. The Approach of Acacia, the Cable Defendants and the Internet Defendants Will Not Result in Piecemeal Litigation

The approach advocated by Acacia, the Cable Defendants and the Internet Defendants in the JCMS is a ***stepped*** approach. (D.I. 267 at 1:16-2:2.) There is no objection to the eventual consideration of issues and motions related to non-infringement, but there is a realistic belief that it will not prove necessary. Further, given the nature of the case, motions for summary judgment of non-infringement are premature at this point and would impose not only the added burden of fact discovery and briefing (which the Cable and Internet Defendants oppose) but on the Court to review and decide such motions. At the very least, upon completion of the Court's review of motions under § 112, further determinations, if any are required, whether on non-infringement grounds and/or other invalidity grounds (*e.g.,* 35 U.S.C. §§ 102, 103), will be significantly circumscribed and the unnecessary expense of addressing discovery related to non-infringement in addition to the briefing of such motions can be avoided. Even the Satellite Defendants concede this point. (D.I. 267 at 8 n. 7.)

After the Court's ruling on the § 112 motions, the parties and Court can explore the multiple avenues to appeal identified in *Nystrom*, 339 F.3d 1347.

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